

**ELSINORE TOWN**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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# Kimball & Roberts

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
Elsinore Town  
Elsinore, Utah 84724

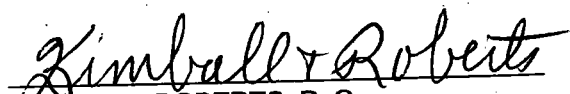
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elsinore Town as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Elsinore Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elsinore Town as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, on our consideration of Elsinore Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 45 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

July 29, 2005  
Richfield, Utah

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is used to assist in formatting, for easier reading)

**ELSINORE TOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2005**

This discussion of Elsinore Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2005. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, streets and public improvements and parks and cemetery.

**Financial Highlights**

- \* The assets of the Town exceeded its liabilities as of the close of the most recent year by \$1,394,567 (net assets). Of this amount, \$210,178 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- \* The government's total net assets increased by \$117,748. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- \* At the close of the current year, the Town's governmental funds reported ending fund balance of \$85,432, an increase of \$37,648 in comparison with the prior year.
- \* At the end of the current year, unreserved fund balance for the general fund was in a negative position of \$6,162 as compared to \$20,580 in the prior year.
- \* The Town's total debt decreased by \$50,086 during the current year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, streets and public improvements and parks and cemetery. The business-type activities of the Town are water operations, garbage and landfill services.

Refer to the table of contents for the location of the government-wide financial statements.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Elsinore Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The Town adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

### **Proprietary Funds**

Elsinore Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, garbage and landfill.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

## Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Elsinore Town's, assets exceeded liabilities by \$1,394,567 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (73 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$210,178) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

#### Elsinore Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	154,657	131,775	229,307	243,209	383,964	374,984
Capital Assets	502,719	423,312	1,894,029	1,928,586	2,396,748	2,351,898
Total Assets	657,376	555,087	2,123,336	2,171,795	2,780,712	2,726,882
Long-Term Liabilities	119,000	170,000	1,160,166	1,230,598	1,279,166	1,400,598
Other Liabilities	29,172	17,937	77,807	31,528	106,979	49,465
Total Liabilities	148,172	187,937	1,237,973	1,262,126	1,386,145	1,450,063

**Elsinore Town's Net Assets - Continued.**

**Net Assets:**

**Invested in Capital Assets**

Net of Related Debt	357,719	253,312	665,750	676,043	1,023,469	929,355
Restricted	91,594	3,026	69,326	87,800	160,920	90,826
Unrestricted	<u>59,891</u>	<u>110,812</u>	<u>150,287</u>	<u>145,826</u>	<u>210,178</u>	<u>256,638</u>

Total Net Assets	<u>509,204</u>	<u>367,150</u>	<u>885,363</u>	<u>909,669</u>	<u>1,394,567</u>	<u>1,276,819</u>
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**Elsinore Town Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	19,267	14,627	169,375	180,925	188,642	195,552
Operating Grants	50,253	47,788	-	-	50,253	47,788
Capital Grants	122,754	10,500	-	-	122,754	10,500
<b>General Revenues:</b>						
Property Taxes	28,698	30,255	-	-	28,698	30,255
Other Taxes	78,785	63,053	-	-	78,785	63,053
Other	11,271	9,391	3,490	6,318	14,761	15,709
Unrestricted Investment Earnings	<u>4,168</u>	<u>7,949</u>	<u>2,300</u>	<u>3,096</u>	<u>6,468</u>	<u>11,045</u>
Total Revenues	<u>315,196</u>	<u>183,563</u>	<u>175,165</u>	<u>190,339</u>	<u>490,361</u>	<u>373,902</u>
<b>Expenses:</b>						
General Government	25,314	81,321	-	-	25,314	81,321
Public Safety	32,543	6,158	-	-	32,543	6,158
Highways and Public Improvements	76,589	76,018	-	-	76,589	76,018
Parks and Cemetery	38,696	25,530	-	-	38,696	25,530
Water, Garbage & Landfill	<u>-</u>	<u>-</u>	<u>199,471</u>	<u>155,237</u>	<u>199,471</u>	<u>155,237</u>
Total Expenses	<u>173,142</u>	<u>189,027</u>	<u>199,471</u>	<u>155,237</u>	<u>372,613</u>	<u>344,264</u>
Increase in Net Assets Before Transfers	142,054	-5,464	-24,306	35,102	117,748	29,638
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	142,054	-5,464	-24,306	35,102	117,748	29,638
Net Assets - Beginning	<u>367,150</u>	<u>372,614</u>	<u>909,669</u>	<u>874,567</u>	<u>1,276,819</u>	<u>1,247,181</u>
Net Assets - Ending	<u>509,204</u>	<u>367,150</u>	<u>885,363</u>	<u>909,669</u>	<u>1,394,567</u>	<u>1,276,819</u>

## **Governmental Activities**

Governmental activities increased Elsinore Town's net assets by \$142,054.

- \* The City received operating grants of \$50,253. Of this amount, \$39,767 was received for Class C roads. A grant of \$10,000 received from an anonymous contributor to be used for the library. Capital grants of \$98,504 was used for fire department equipment and a grant of \$24,250 was used to acquire a backhoe and trailer in the streets department.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## **Business-Type Activities**

Business-type activities decreased the Town's net assets by \$24,306.

- \* The total decrease in the business-type activities costs for the water fund is attributed to lower water revenues.
- \* The depreciation in the enterprise funds decreased \$7,143 from the prior fiscal year.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Funds**

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental fund reported ending fund balance of \$85,431. An increase \$37,648 in comparison with the prior year. This is due in part by the inclusion of the perpetual care fund in 2005. The negative unreserved fund balance of \$6,162 which will be eliminated through the budget and spending process in the next fiscal year. The remainder of fund is *reserved* to indicate that it is not available for budgeting. These amounts have already been committed to Class C Roads for \$25,000 and cemetery perpetual care funds of \$66,594.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance is in a negative position while total total fund balance represents 31 percent of total general fund expenditures.

## **Proprietary Funds**

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water, garbage and landfill fund at the end of the year was \$190,583. The remainder of fund balance is restricted for bond retirement of \$43,000 and capital outlay - water project of \$44,800. Other factors concerning the finances of these funds has already been addressed in the discussion of the Town's business-type activities.

## General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an increase of \$11,587 in the following categories:

- \* General government decreased \$16,413.
- \* Streets and public improvements increased \$14,500.
- \* Parks and cemetery increased \$13,500.

Actual revenues were more than budgeted revenues by \$11,331 and actual expenditures were less than budgeted expenditures by \$26,317 resulting in a net increase in fund balance of \$37,648.

## Capital Asset and Debt Administration

### Capital Assets

Elsinore Town's investment in capital assets for its governmental activities as of June 30, 2005, was \$502,719 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes streets and highways.

The total increase in the Town's investment in capital assets for the current year was \$127,899. Major capital asset events during the current year included the following:

- \* Backhoe and trailer \$65,249
- \* Flatbed truck \$18,700.
- \* Fire turnout gear \$43,950.

### Elsinore Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	33,160	33,160	25,000	25,000	58,160	58,160
Water Shares			553,500	553,500	553,500	553,500
Infrastructure	283,499	318,937	-	-	283,499	318,937
Buildings	33,175	35,225	71,361	58,800	104,536	94,025
Improvements Other than Buildings	23,000	24,500	1,244,168	1,291,286	1,267,168	1,315,786
Equipment	129,885	11,490	-	-	129,885	11,490
Total	502,719	423,312	1,894,029	1,928,586	2,396,748	2,351,898

Additional information on the Town's capital assets can be found in the notes to the financial statements.

### Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$1,350,512. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**Long -Term Debt - Continued.**

**Elsinore Town's Long-Term Debt**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue Bonds	<u>145,000</u>	<u>170,000</u>	<u>1,205,512</u>	<u>1,230,598</u>	<u>1,350,512</u>	<u>1,400,598</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

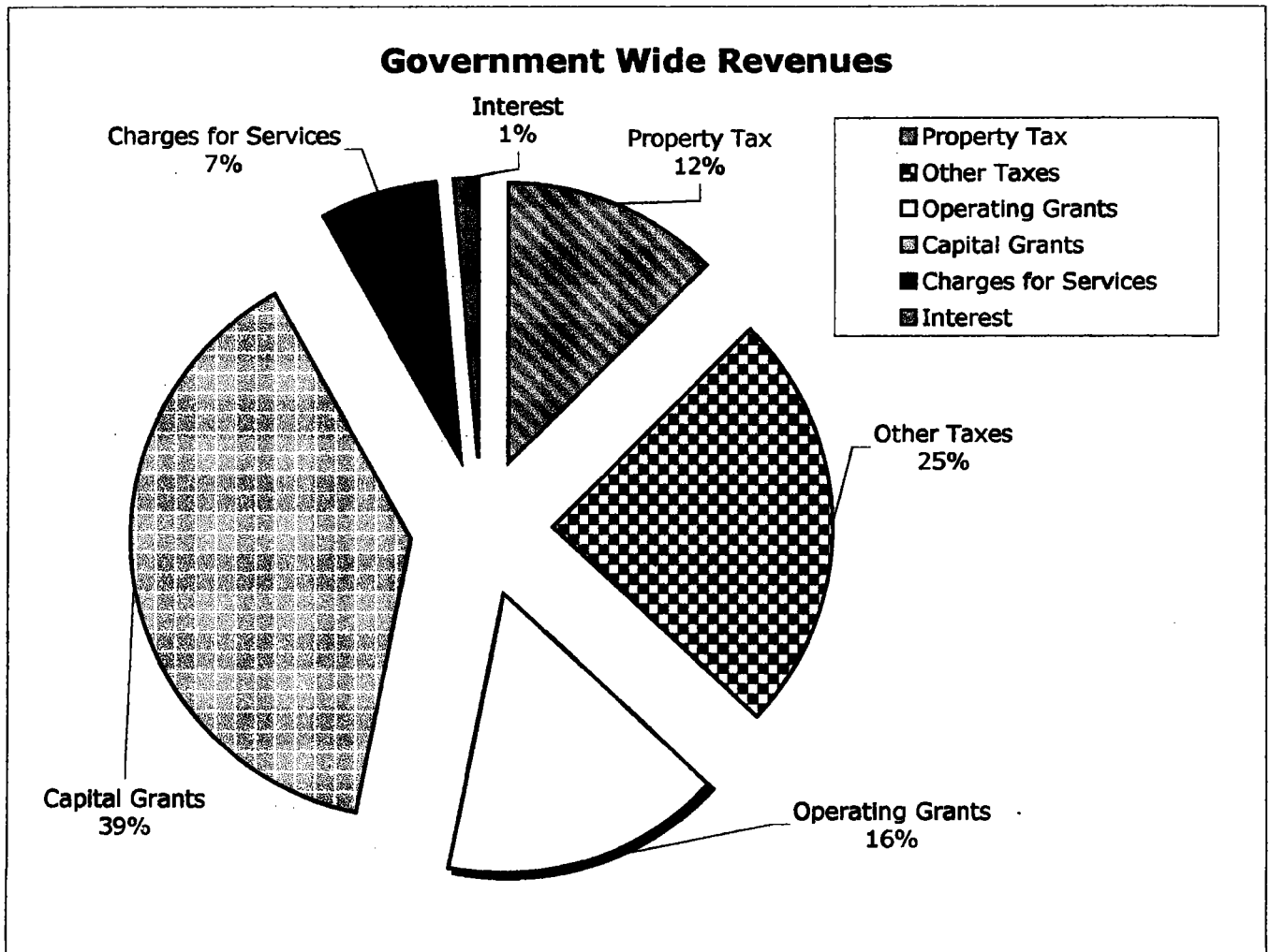
Additional information on Elsinore Town's long-term debt can be found in the notes of the financial statements.

**Request for Information**

This financial report is designed to provide a general overview of Elsinore Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Elsinore Town Clerk, P.O. Box 408, Elsinore, Utah, 84724.

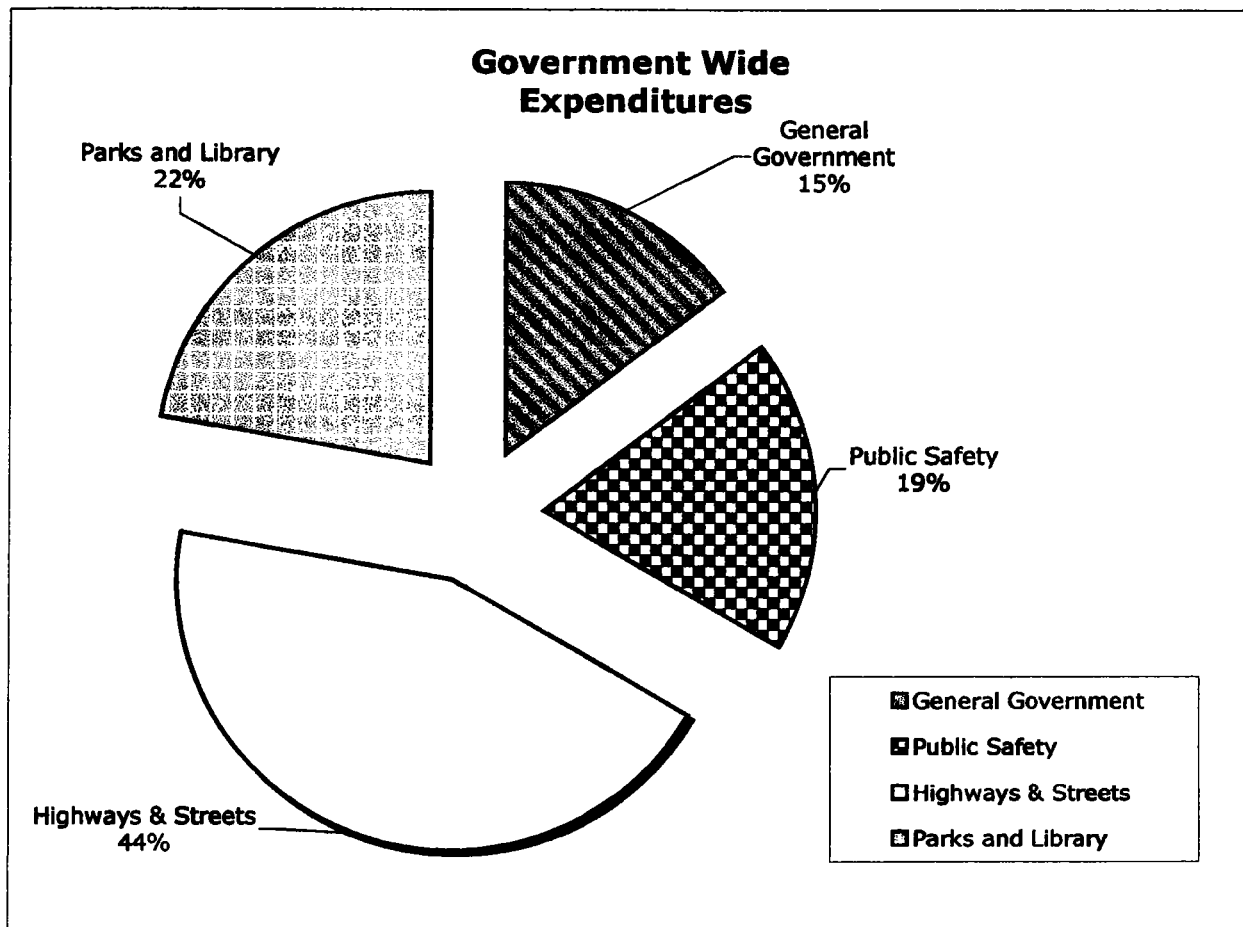
**Elsinore Town  
Government Wide Revenues  
For The Fiscal Year Ended June 30, 2005**

Property Tax	39,010
Other Taxes	77,539
Operating Grants	50,253
Capital Grants	122,754
Charges for Services	21,472
Interest	4,168
Total	<u>315,196</u>



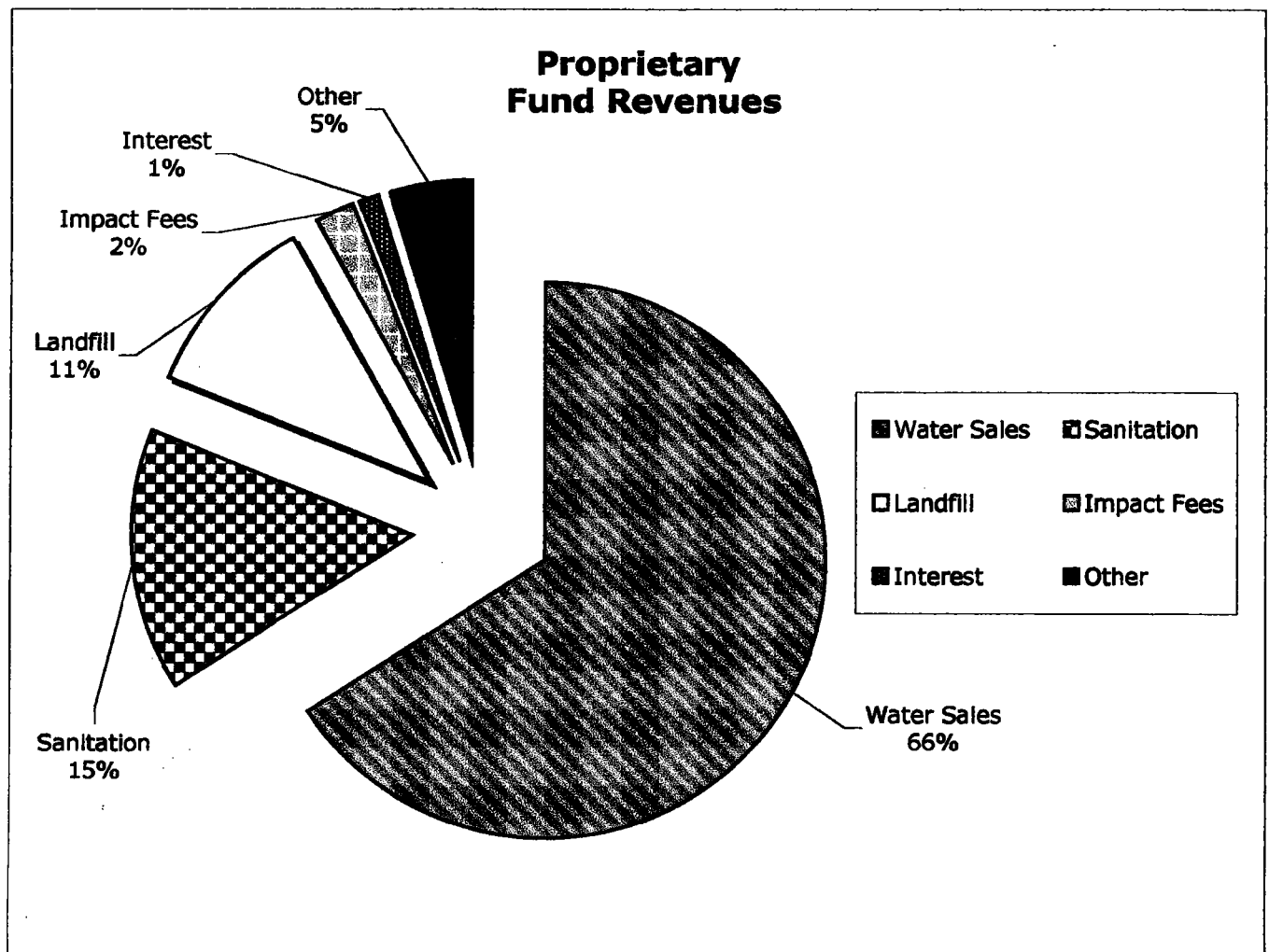
**Elsinore Town  
Government Wide Expenditures  
For The Fiscal Year Ended June 30, 2005**

General Government	25,314
Public Safety	32,543
Highways & Streets	76,589
Parks and Library	<u>38,696</u>
Total	<u><u>173,142</u></u>



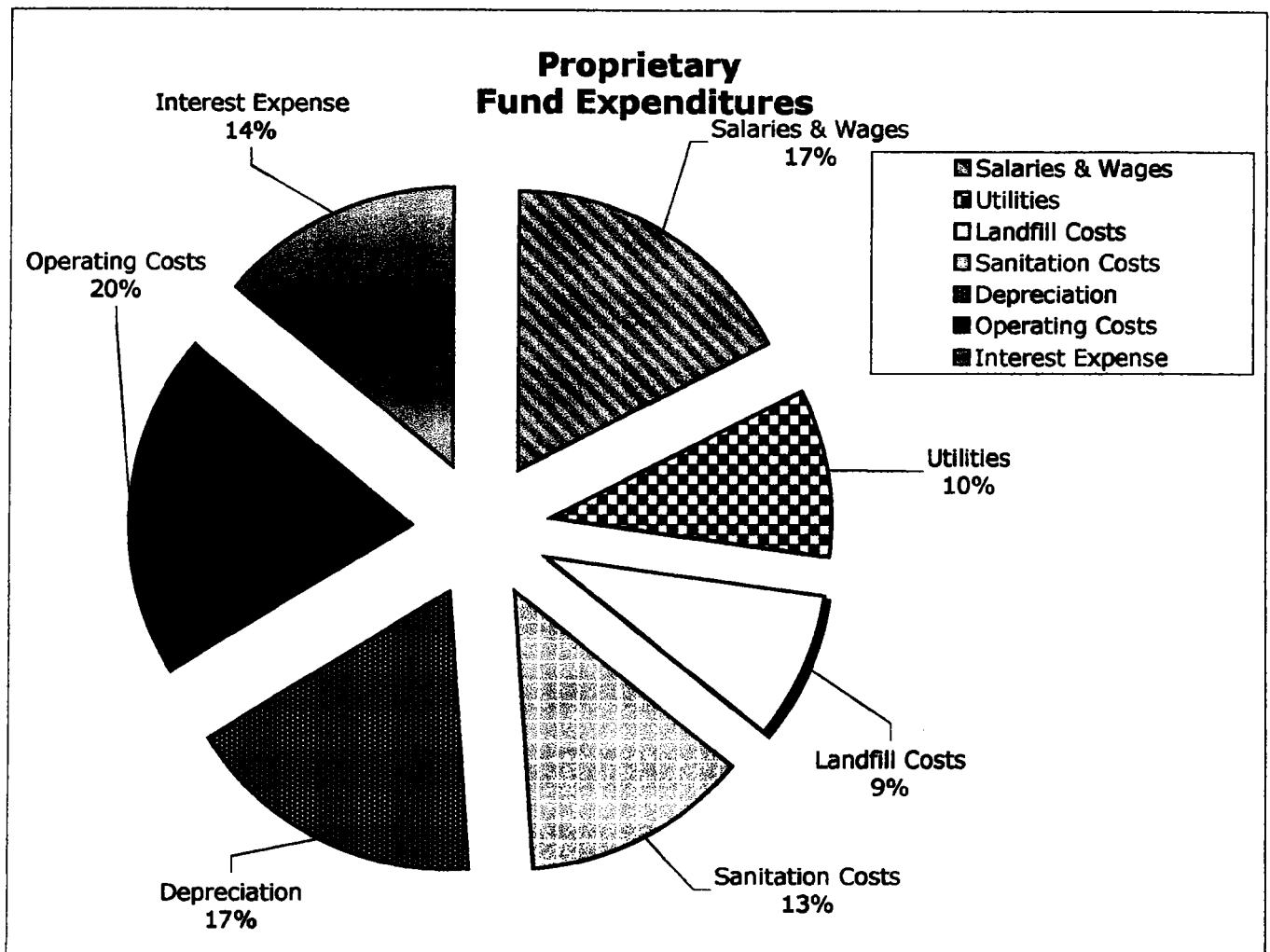
**Elsinore Town  
Proprietary Fund Revenues  
For The Fiscal Year Ended June 30, 2005**

Water Sales	115,344
Sanitation	26,838
Landfill	19,065
Impact Fees	3,490
Interest	2,300
Other	8,128
	<hr/>
Total	<u>175,165</u>



**Elsinore Town  
Proprietary Fund Expenditures  
For The Fiscal Year Ended June 30, 2005**

Salaries & Wages	34,725
Utilities	19,696
Landfill Costs	17,333
Sanitation Costs	25,541
Depreciation	34,557
Operating Costs	39,775
Interest Expense	<u>27,844</u>
 Total	 <u><u>199,471</u></u>



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# **BASIC FINANCIAL STATEMENTS**

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**ELSINORE TOWN**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	76,031	131,467	207,498
Accounts Receivable (Net)	765	28,514	29,279
Special Assessments Receivable	66,053	-	66,053
Due From Other Government Units	11,808	-	11,808
Total Current Assets	154,657	159,981	314,638
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	69,326	69,326
Capital Assets (Net of Accumulated Depreciation):			
Land	33,160	25,000	58,160
Water Shares	-	553,500	553,500
Buildings	33,175	71,361	104,536
Improvements Other Than Buildings	23,000	1,244,168	1,267,168
Equipment	129,885	-	129,885
Infrastructure	283,499	-	283,499
Total Noncurrent Assets	502,719	1,963,355	2,466,074
<b>TOTAL ASSETS</b>	<b>657,376</b>	<b>2,123,336</b>	<b>2,780,712</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	3,172	3,954	7,126
Deposits Payable	-	5,740	5,740
Bond Interest Payable	-	22,767	22,767
Revenue Bonds Payable - Due Within One Year	16,000	44,166	60,166
Special Assessment Bonds - Due Within One Year	10,000	-	10,000
Total Current Liabilities	29,172	76,627	105,799
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	48,000	1,161,346	1,209,346
Special Assessment Bonds - Due More Than One Year	71,000	-	71,000
Total Noncurrent Liabilities	119,000	1,161,346	1,280,346
<b>TOTAL LIABILITIES</b>	<b>148,172</b>	<b>1,237,973</b>	<b>1,386,145</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Debt	357,719	665,750	1,023,469
Restricted For:			
Bond Retirement	-	53,344	53,344
Class C Roads	25,000	-	25,000
Capital Outlay	-	15,982	15,982
Perpetual Care	66,594	-	66,594
Unrestricted	59,891	150,287	210,178
<b>TOTAL NET ASSETS</b>	<b>509,204</b>	<b>885,363</b>	<b>1,394,567</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>657,376</b>	<b>2,123,336</b>	<b>2,780,712</b>

The notes to the financial statements are an integral part of this statement.

**ELSINORE TOWN  
STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2005**

Function/Programs Primary Government:	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Governmental Activities:				
General Government	25,314	16,957	-	-
Public Safety	32,543	1,035	486	98,504
Highways and Public Improvements	76,589	-	39,767	24,250
Parks and Cemetery	38,696	1,275	10,000	-
Total Governmental Activities	173,142	19,267	50,253	122,754
Business-Type Activities:				
Water Fund	199,471	169,375	-	-
Total Primary Government	372,613	188,642	50,253	122,754
General Revenues:				
Property Taxes			28,698	28,698
Fee-In-Lieu of Property Taxes			10,312	10,312
Franchise Taxes			9,950	9,950
Sales Taxes			58,523	58,523
Impact Fees			1,830	5,320
Special Assessment Fees			9,066	9,066
Perpetual Care			375	375
Unrestricted Investment Earnings			4,168	6,468
Total General Revenues and Transfers			122,922	128,712
Change in Net Assets			142,054	117,748
Net Assets - Beginning			367,150	1,276,819
Net Assets - Ending			509,204	1,394,567

The notes to the financial statements are an integral part of this statement.

**ELSINORE TOWN  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2005**

	General Fund	Non-Major Perpetual Care Permanent Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	9,437	66,594	76,031
Accounts Receivable	765	-	765
Special Assessments Receivable	66,053	-	66,053
Due From Other Government Units	11,808	-	11,808
<b>TOTAL ASSETS</b>	<u>88,063</u>	<u>66,594</u>	<u>154,657</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	3,172	-	3,172
Deferred Revenue - Special Assessment	66,053	-	66,053
<b>Total Liabilities</b>	<u>69,225</u>	<u>-</u>	<u>69,225</u>
Fund Balances:			
Reserved For:			
Class C Roads	25,000	-	25,000
Perpetual Care	-	66,594	66,594
Unreserved, Reported In:			
General Fund	(6,162)	-	(6,162)
<b>Total Fund Balance</b>	<u>18,838</u>	<u>66,594</u>	<u>85,432</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>88,063</u>	<u>66,594</u>	<u>154,657</u>

The notes to the financial statements are an integral part of this statement.

**ELSINORE TOWN**  
**BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

**June 30, 2005**

Total Fund Balances - Governmental Fund Types	85,432
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	33,160	
Buildings	33,175	
Improvements	23,000	
Equipment	129,885	
Infrastructure	<u>283,499</u>	
 Total		 502,719

Other long-term liabilities are not included in government-wide financial statements on the accrual basis:

Deferred Revenue	66,053
------------------	--------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Revenue Bonds Payable	<u>(145,000)</u>
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Net Assets of Government Activities	<u><u>509,204</u></u>
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**ELSINORE TOWN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2005**

	General Fund	Non-Major Perpetual Care Permanent Fund	Total
<b>Revenues:</b>			
Taxes	107,483	-	107,483
Licenses and Permits	3,962	-	3,962
Intergovernmental Revenue	163,007	-	163,007
Charges for Services	11,376	-	11,376
Interest	3,286	882	4,168
Miscellaneous Revenues	13,929	-	13,929
Perpetual Care	-	375	375
	<u>303,043</u>	<u>1,257</u>	<u>304,300</u>
<b>Total Revenues</b>			
	<u>303,043</u>	<u>1,257</u>	<u>304,300</u>
<b>Expenditures:</b>			
Current:			
General Government	24,064	-	24,064
Public Safety	30,477	-	30,477
Highways and Public Improvements	33,037	-	33,037
Parks and Recreation	37,071	-	37,071
Capital Outlay	127,899	-	127,899
Debt Service:			
Principal	25,000	-	25,000
	<u>277,548</u>	<u>-</u>	<u>277,548</u>
<b>Total Expenditures</b>			
	<u>277,548</u>	<u>-</u>	<u>277,548</u>
<b>Excess Revenues Over (Under) Expenditures</b>	<u>25,495</u>	<u>1,257</u>	<u>26,752</u>
<b>Other Financing Sources (Uses):</b>			
Special Assessment Fees	9,066	-	9,066
Impact Fees	1,830	-	1,830
	<u>10,896</u>	<u>-</u>	<u>10,896</u>
<b>Total Other Financing</b>			
	<u>10,896</u>	<u>-</u>	<u>10,896</u>
<b>Net Change In Fund Balance</b>	<u>36,391</u>	<u>1,257</u>	<u>37,648</u>
<b>Fund Balance - Beginning</b>	<u>(17,554)</u>	<u>65,337</u>	<u>47,783</u>
<b>Fund Balance - Ending</b>	<u>18,837</u>	<u>66,594</u>	<u>85,431</u>

The notes to the financial statements are an integral part of this statement.

**ELSINORE TOWN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	37,648
---	--------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	127,899	
Depreciation Expense	<u>(48,493)</u>	
Total		79,406

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Bond Principal Payments	<u>25,000</u>
Changes In Net Assets of Governmental Activities	<u><u>142,054</u></u>

**ELSINORE TOWN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise
	<u>Water Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	131,467
Accounts Receivable	<u>28,514</u>
Total Current Assets	<u>159,981</u>
Noncurrent Assets:	
Investments - Restricted:	
Bond Retirement	53,344
Construction	15,982
Capital Assets: (Net of Accumulated Depreciation)	
Land	25,000
Water Rights	553,500
Buildings	71,361
Water System	<u>1,244,168</u>
Total Noncurrent Assets	<u>1,963,355</u>
TOTAL ASSETS	<u><u>2,123,336</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	3,954
Deposits Payable	5,740
Bond Interest Payable	22,767
Bonds Payable - Due Within One Year	<u>44,166</u>
Total Current Liabilities	<u>76,627</u>
Noncurrent Liabilities:	
Bonds Payable - Due More Than One Year	<u>1,161,346</u>
TOTAL LIABILITIES	<u>1,237,973</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	665,750
Restricted for:	
Bond Retirement	53,344
Capital Outlays	15,982
Unrestricted	<u>150,287</u>
TOTAL NET ASSETS	<u>885,363</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,123,336</u></u>

The notes to the financial statements are an integral part of this statement.

**ELSINORE TOWN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND**

**June 30, 2005**

	Business-Type Activity Enterprise
	<u>Water Fund</u>
<b>Operating Revenues:</b>	
Charges for Sales and Services:	
Water Sales	114,544
Water Connection Fees	800
Sanition	26,838
Landfill	19,065
Other	8,128
	<u>169,375</u>
Total Operating Revenues	
<b>Operating Expenses:</b>	
Salaries and Wages	34,725
Administrative Expense	1,600
Repairs and Maintenance	8,382
Utilities and Telephone	12,297
Power and Gas at Wells	7,399
Landfill Costs	17,333
Trash Costs	25,541
Revenue Returned	28,993
Other	800
Depreciation	34,557
	<u>171,627</u>
Total Operating Expenses	
Operating Income	<u>(2,252)</u>
<b>Nonoperating Revenues (Expenses):</b>	
Impact Fees	3,490
Interest Revenues	2,300
Interest Expense	(27,844)
	<u>(22,054)</u>
Total Nonoperating Revenues (Expenses)	
Change in Net Assets	(24,306)
Total Net Assets - Beginning	<u>909,669</u>
Total Net Assets - Ending	<u>885,363</u>

The notes to the financial statements are an integral part of this statement.

**ELSINORE TOWN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise
	<u>Water Fund</u>
<b>Cash Flows From Operating Activities:</b>	
Receipts From Customers	171,609
Payments to Suppliers	(72,873)
Payments to Employees	<u>(34,725)</u>
Net Cash Provided by Operating Activities	<u>64,011</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Principal Paid on Capital Debt	(25,086)
Interest Paid on Capital Debt	<u>(27,022)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(52,108)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest Received	2,300
Impact Fees	3,490
Prior Years Revenue Returned	<u>(28,993)</u>
Net Cash Provided (Used) by Investing Activities	<u>(23,203)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,300)
Cash and Cash Equivalents - Beginning	<u>212,093</u>
Cash and Cash Equivalents - Ending	<u><u>200,793</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>	
Operating Income	<u>26,741</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	34,557
Increase (Decrease) in Operating Assets:	
Accounts Receivable	2,602
Accounts Payable	479
Deposits Payable	<u>(368)</u>
Total Adjustments	<u>37,270</u>
Net Cash Provided (Used) by Operating Activities	<u><u>64,011</u></u>

The notes to the financial statements are an integral part of this statement.

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Elsinore Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

**A. Reporting Entity**

Elsinore Town is a municipal corporation in Sevier County, Utah. It is governed by an elected mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Elsinore Town, the reporting entity. The Town has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**ELSINORE TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Elsinore Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Perpetual Care Fund which accounts for money received for upkeep and perpetual care of cemetery plots.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Water System	50 Years
Equipment	5 - 10 Years

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**E. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. Budgets and Budgetary Accounting:**

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing (no time period given for towns) in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the Town Board in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the Town Board makes final adjustments to the tentative budget.
4. On or before June 22, the Town Board adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The Town Board may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the Town Board.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the Town Board.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Towns require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have over expended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Property Tax Calendar:**

- |             |  |
|-------------|--|
| January 1   | Lien Date - All property appraised based upon situs and status as of this date (real and personal).  |
| March 1     | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice.   |
| June 22     | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor.   |
| July 22     | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates.   |
| November 1  | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit.   |
| November 1  | County auditor to charge the county treasurer to account for all taxes levied.   |
| November 1  | County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.  |
| November 30 | Taxes on real property become delinquent.  |

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

**Deposits:**

The Town's carrying amount of bank deposits at June 30, 2005, was \$17,575 and the bank balance was \$59,636. All of this amount was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council. Cash on hand was \$201.

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments:**

Statutes authorize the Town to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and State Treasurer's Investment Pool. The Town is also authorized to enter into reverse repurchase agreements. At year end, the Town had invested \$259,048 with the Utah State Treasurer's Pool.

The Town's investments are categorized below to give an indication of the risk assumed by the Town at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town in the Town's name, and includes deposits collateralized by securities held by the Town in the Town's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the Town's name, and includes deposits collateralized by securities held by the pledging institution in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the Town's name, and includes deposits not insured or collateralized.

Investments at June 30, 2005, consisted of the following:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>	<u>Carrying Amount</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	-	-
Other Items:					
State Treasurer's Investment Pool				<u>259,048</u>	<u>259,048</u>
Total				<u>259,048</u>	<u>259,048</u>

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Cash is reflected in the financial statements as follows:

Governmental	76,031
Proprietary	<u>200,793</u>
Total	<u><u>276,824</u></u>

**NOTE 3 - BOND RESERVES**

Elsinore Town is required to deposit into five reserve funds in connection with their bond issues:

	<u>Balance</u>
Water Bond Reserve Fund, \$140 per month until it reaches a maximum of \$8,400.	8,400
Water Emergency Repair and Replacement Reserve, \$125 per month until it reaches a maximum of \$7,800.	7,800
1996 Water revenue Reserve Fund, \$230 per month for 72 months until it reaches a maximum of \$16,500.	16,500
2003 BWR Water Revenue Bond Reserve, \$472 per month until it reaches a maximum of \$34,000.	11,284
2003 CIB Water Revenue Bond Reserve, \$390 per month until it reaches a maximum of \$28,000.	<u>9,360</u>
Total Reserved at June 30, 2005	<u><u>53,344</u></u>

**NOTE 4 - SPECIAL ASSESSMENTS RECEIVABLE**

During the 1998/1999 fiscal year the Town created a Special Improvement District for curb, gutter and sidewalk along south center street. Properties having frontage along south center street were assessed an average of \$31.48 per lineal foot. The total assessment was \$140,125.72. These monies are restricted for the payment of bonds issued to finance the cost of the project. The balance of assessments receivable at June 30, 2005, was \$66,053.

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	25,600	-	-	25,600
Land Under Roads	<u>7,560</u>	<u>-</u>	<u>-</u>	<u>7,560</u>
 Total Capital Assets Not Being Depreciated	 <u>33,160</u>	 <u>-</u>	 <u>-</u>	 <u>33,160</u>
Capital Assets Being Depreciated:				
Buildings	87,000	-	-	87,000
Improvements Other Than Bldgs	30,000	-	-	30,000
Machinery and Equipment	94,800	127,899	-	222,699
Infrastructure	<u>708,750</u>	<u>-</u>	<u>-</u>	<u>708,750</u>
 Total Capital Assets Being Depreciated	 <u>920,550</u>	 <u>127,899</u>	 <u>-</u>	 <u>1,048,449</u>
Less Accumulated Depreciation For:				
Buildings	51,775	2,050	-	53,825
Improvements Other Than Bldgs	5,500	1,500	-	7,000
Machinery and Equipment	83,310	9,505	-	92,815
Infrastructure	<u>389,813</u>	<u>35,438</u>	<u>-</u>	<u>425,251</u>
 Total Accumulated Depreciation	 <u>530,398</u>	 <u>48,493</u>	 <u>-</u>	 <u>578,891</u>
 Total Capital Assets Being Depreciated (Net)	 <u>390,152</u>	 <u>79,406</u>	 <u>-</u>	 <u>469,558</u>
 Governmental Activities Capital Assets, Net	 <u>423,312</u>	 <u>79,406</u>	 <u>-</u>	 <u>502,718</u>

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	25,000	-	-	25,000
Water Stock	553,500	-	-	553,500
 Total Capital Assets Not Being Depreciated	 578,500	 -	 -	 578,500
Capital Assets Being Depreciated				
Buildings	60,000	-	-	60,000
Equipment	56,326	-	-	56,326
Utility Systems	1,667,834	-	-	1,667,834
 Total Capital Assets Being Depreciated	 1,784,160	 -	 -	 1,784,160
Less Accumulated Depreciation For:				
Buildings	1,200	1,565	-	2,765
Equipment	56,326	-	-	56,326
Utility Systems	376,548	32,992	-	409,540
 Total Accumulated Depreciation	 434,074	 34,557	 -	 468,631
 Total Capital Assets Being Depreciated (Net)	 1,350,086	 (34,557)	 -	 1,315,529
 Business Type Activities Capital Assets, Net	 1,928,586	 (34,557)	 -	 1,894,029
 Total Capital Assets	 2,351,898	 44,849	 -	 2,396,747

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	1,250	-	1,250
Public Safety	2,065	-	2,065
Public Health	-	34,557	34,557
Highways and Public Improvements	43,551	-	43,551
Parks and Recreation	1,626	-	1,626
 Total Depreciation Expense	 48,492	 34,557	 83,049

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 6 - LONG-TERM DEBT**

**General Long-Term Debt:**

**B & C Road Fund Revenue Bond:**

During the 1997-1998 fiscal year the Town obtained funding for the purpose of financing the cost of construction and maintenance of certain Class C roads within the town. The estimated cost of the project was \$550,000.

The funding sources were as follows:

<u>Source</u>	<u>Amount</u>
Community Impact Board Loans	300,000
Community Impact Board Grants	190,000
Local In Kind	<u>60,000</u>
Total	<u><u>550,000</u></u>

The CIB loans are evidenced by a \$160,000 B & C Road Fund Revenue Bond and a \$140,000 Special Assessment Bond. The Road Revenue Bond is to be repaid over ten years at \$16,000 per year with no interest. The Special Assessment Bond is to be repaid over 14 years at \$10,000 per year with no interest.

The following is a summary of debt service charge to maturity:

	<u>Road Bond</u>	<u>Assessment Bond</u>	<u>Total</u>
2005-2006	16,000	10,000	26,000
2006-2007	16,000	10,000	26,000
2007-2008	16,000	10,000	26,000
2008-2009	16,000	10,000	26,000
2009-2010	-	10,000	10,000
2011-2015	<u>-</u>	<u>31,000</u>	<u>31,000</u>
Total	<u><u>64,000</u></u>	<u><u>81,000</u></u>	<u><u>145,000</u></u>

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**  
**General Long-Term Debt (Continued):**

The following is a schedule of changes in bonds payable at June 30, 2005:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2004	Current Year Changes		Outstanding June 30, 2005
					Issued	Matured	
Road Excise Tax Revenue Bond - CIB	1998	0%	160,000	80,000	-	16,000	64,000
Special Assessment Revenue Bond - CIB	1998	0%	140,000	90,000	-	9,000	81,000
Total			300,000	170,000	-	25,000	145,000

The following is a summary of debt service charge to maturity:

	Principal	Interest	Total
2005-2006	26,000	-	26,000
2006-2007	26,000	-	26,000
2007-2008	26,000	-	26,000
2008-2009	26,000	-	26,000
2009-2010	10,000	-	10,000
2011-2015	31,000	-	31,000
Total	145,000	-	145,000

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Utility Long-Term Debt:**

**1979 Water Revenue Bond:**

During 1979 the Town issued water revenue bonds in the amount of \$133,000 for the purpose of constructing additional water lines in the Town. The bonds require annual payments of \$8,400 including interest at 5%.

The following is a summary of debt service charge to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	5,166	3,234	8,400
2006-2007	5,425	2,975	8,400
2007-2008	5,696	2,704	8,400
2008-2009	5,981	2,419	8,400
2009-2010	6,280	2,120	8,400
2011-2015	<u>34,964</u>	<u>5,564</u>	<u>40,528</u>
Total	<u><u>63,512</u></u>	<u><u>19,016</u></u>	<u><u>82,528</u></u>

**1996 Water Revenue Bond:**

During 1996 the Town issued water revenue bonds in the amount of \$250,000 for the purpose of constructing a culinary water tank. The bonds require yearly payments including interest at 3%.

The following is a summary of debt service charge to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	11,000	4,400	15,400
2006-2007	12,000	4,100	16,100
2007-2008	12,000	3,600	15,600
2008-2009	12,000	3,500	15,500
2009-2010	13,000	3,175	16,175
2011-2015	67,000	10,925	77,925
2016-2020	<u>60,000</u>	<u>2,325</u>	<u>62,325</u>
Total	<u><u>187,000</u></u>	<u><u>32,025</u></u>	<u><u>219,025</u></u>

**ELSINORE TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**2003 Water Project:**

During the 2002-2003 fiscal year the Town obtained funding for the purpose of providing funds to finance the cost of acquiring, constructing, improving, extending and maintaining the culinary water system of Elsinore Town. The estimated cost of the project was \$1,444,000.

The funding sources were as follows:

<u>Source</u>	<u>Amount</u>
Board of Water Resources Loan	514,000
Community Impact Board Loans	450,000
Community Impact Board Grants	450,000
Local In Kind	<u>30,000</u>
Total	<u><u>1,444,000</u></u>

**Water Revenue Bond, Series 2003A:**

During 2003, the Town obtained a \$514,000 Parity Water Revenue Bond from the Board of Water Resources for the purpose of improving its culinary water system. The bond bears an interest at the rate of 2% per annum and payable in 25 annual installments commencing on September 1, 2004.

The following is a summary of debt service charges to maturity for the revenue bond:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	10,000	10,100	20,100
2006-2007	11,000	9,900	20,900
2007-2008	11,000	9,680	20,680
2008-2009	12,000	9,460	21,460
2009-2010	13,000	6,220	19,220
2011-2015	83,000	41,800	124,800
2016-2020	111,000	32,160	143,160
2021-2025	130,000	20,400	150,400
2026-2030	<u>124,000</u>	<u>6,360</u>	<u>130,360</u>
Total	<u><u>505,000</u></u>	<u><u>146,080</u></u>	<u><u>651,080</u></u>

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Water Revenue Bond, Series 2003A (Continued):**

During 2003, the Town obtained a \$450,000 Parity Water Revenue Bond from the Community Impact Board for the purpose of improving its culinary water system. The bond bears an interest at the rate of 2.5% per annum and payable in 20 annual installments commencing on September 1, 2005.

The following is a summary of debt service charges to maturity for the revenue bond:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	18,000	11,250	29,250
2006-2007	18,000	10,800	28,800
2007-2008	19,000	10,350	29,350
2008-2009	19,000	9,875	28,875
2009-2010	19,000	9,400	28,400
2011-2015	104,000	39,550	143,550
2016-2020	118,000	25,900	143,900
2021-2025	<u>135,000</u>	<u>10,275</u>	<u>145,275</u>
Total	<u>450,000</u>	<u>127,400</u>	<u>577,400</u>

The following is a summary of total Utility Long-Term Debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	44,166	28,984	73,150
2006-2007	46,425	27,775	74,200
2007-2008	47,696	26,334	74,030
2008-2009	48,981	25,254	74,235
2009-2010	51,280	23,915	75,195
2011-2015	288,964	97,839	386,803
2016-2020	289,000	60,385	349,385
2021-2025	265,000	30,675	295,675
2026-2030	<u>124,000</u>	<u>6,360</u>	<u>130,360</u>
Total	<u>1,205,512</u>	<u>327,521</u>	<u>1,533,033</u>

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Utility Long-Term Debt (Continued):**

The following is a schedule of changes in utility bonds payable at June 30, 2005:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2004	Current Year Changes		Outstanding June 30, 2005
					Issued	Matured	
FHA Water Revenue Bonds	1979	5%	133,000	68,598	-	5,086	63,512
CIB Water Revenue Bonds	1996	2.5%	250,000	198,000	-	11,000	187,000
BWR Water Revenue Bonds	2003	2%	514,000	514,000	-	9,000	505,000
CIB Water Revenue Bonds	2003	2.5%	450,000	450,000	-	-	450,000
Total			<u>1,347,000</u>	<u>1,230,598</u>	<u>-</u>	<u>25,086</u>	<u>1,205,512</u>

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 7 - PERPETUAL CARE FUND**

The following is a schedule of receipts and disbursements in the Perpetual Care Fund:

Fund Balance - Beginning of Year		65,337
Receipts:		
Sale of Cemetery Perpetual		
Care Certificates	375	
Interest	<u>882</u>	
Total Receipts		1,257
Disbursements		<u>-</u>
Fund Balance - End of Year		<u><u>66,594</u></u>

**NOTE 8 - CLASS C ROADS**

The following is a schedule of receipts and disbursements in Class C Roads:

Fund Balance - Beginning of Year		-
Receipts:		
State of Utah	39,767	
Interest	<u>1,291</u>	
Total Receipts		41,058
Disbursements:		
Bond Payments	(16,000)	
Maintenance	<u>(58)</u>	
Total Disbursements		<u>(16,058)</u>
Fund Balance - End of Year		<u><u>25,000</u></u>

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 9 - IMPACT FEES**

Effective July 1, 1997, the Town adopted an impact fee ordinance for water facilities, fire facilities and park and open spaces.

The impact fee for water is recorded as other revenue in the Water Fund. The impact fees for fire facilities and parks and open spaces are recorded in the general fund as other financing sources.

New water connections that require 3/4" service line and meter will pay a one time impact fee of \$1,000.

Also, any new water connections will also pay a one time fire facilities impact fee of \$121 and a parks and open spaces impact fee of \$79.

The Town is required to place these impact fees into a separate interest bearing account and may expend these funds only on capital improvements, retiring debt for the system, or other expenditures as allowed by law.

These funds must be expended within six years from receipt or the funds must be returned with interest to the payer.

The following is an accounting of impact fees collected, interest earned, and funds expended, if any:

	<u>Water Facilities</u>	<u>Fire Facilities</u>	<u>Parks and Open Spaces</u>	<u>Streets</u>	<u>Total</u>
1997-1998	252.00	30.00	18.00	-	300.00
1998-1999	11,085.00	1,383.99	1,021.90	-	13,490.89
1999-2000	12,594.00	1,160.00	1,431.00	-	15,185.00
2000-2001	2,885.00	232.00	343.00	440.00	3,900.00
2001-2002	2,775.00	205.00	583.00	355.97	3,918.97
2002-2003	7,000.00	605.00	700.00	1,780.00	10,085.00
2003-2004	6,318.00	396.00	1,029.00	1,320.00	9,063.00
2004-2005	<u>3,490.00</u>	<u>204.00</u>	<u>686.00</u>	<u>940.00</u>	<u>5,320.00</u>
Total Receipts	46,399.00	4,215.99	5,811.90	4,835.97	61,262.86
Interest Earned	3,792.00	623.38	315.75	45.59	4,776.72
Expenditures	<u>(50,191.00)</u>	<u>(4,839.37)</u>	<u>(6,127.65)</u>	<u>(4,881.56)</u>	<u>(66,039.58)</u>
Balance June 30, 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**ELSINORE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 10 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Association of Towns Insurance Mutual, a self-funded risk financing pool administered by the Utah Association of Towns. Through the Mutual, the Town maintains general liability, errors and omissions, flood, earthquake, newly acquired property, builders risk, unscheduled locations, and crime. The Mutual is reinsured through commercial companies in excess of \$150,000 for property to a limit of \$50,000,000 and \$250,000 for liability to a limit of \$750,000 with a combined excess aggregate of \$1,000,000 to \$1,350,000. The Mutual does not provide overage for all risks and hazards, however, the Town has obtained coverage for these risks through other commercial carriers for employee accidental death and dismemberment, workers compensation, and surety bond coverage.

In the 2004-2005 fiscal year the Town provided medical and health through a policy with Public Employees Health Plan (PEHP) of Utah. The maximum out-of-pocket expense per person per year is \$1,000 or \$2,000 per family per year.

Claims have not exceeded coverage in any of the last three calendar years.

**NOTE 11 - UTAH STATE RETIREMENT PLANS**

Elsinore Town does not participate in the Utah State Retirement Plan nor does it participate in any other retirement plan.

(This page contains no information and  
is used to assist in formatting, for easier reading)

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**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

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**ELSINORE TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>(17,554)</u>	<u>(17,554)</u>	<u>(17,554)</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	27,075	26,831	26,820	(11)
Prior Years Taxes	4,025	1,878	1,878	-
General Sales and Use Taxes	54,817	54,817	58,523	3,706
Franchise Taxes	3,500	10,058	9,950	(108)
Fee-In-Lieu	<u>9,000</u>	<u>10,312</u>	<u>10,312</u>	<u>-</u>
Total Taxes	<u>98,417</u>	<u>103,896</u>	<u>107,483</u>	<u>3,587</u>
Licenses and Permits:				
Business Licenses	550	593	619	26
Dog Licenses	<u>3,300</u>	<u>3,300</u>	<u>3,343</u>	<u>43</u>
Total Licenses and Permits	<u>3,850</u>	<u>3,893</u>	<u>3,962</u>	<u>69</u>
Intergovernmental Revenue:				
Class C Road	46,500	39,767	39,767	-
State Liquor Allotment	425	486	486	-
Federal Grant	64,000	64,000	39,555	(24,445)
State Grants	<u>65,000</u>	<u>65,000</u>	<u>83,199</u>	<u>18,199</u>
Total Intergovernmental Revenue	<u>175,925</u>	<u>169,253</u>	<u>163,007</u>	<u>(6,246)</u>
Charges for Services:				
Cemetery	1,650	1,325	1,275	(50)
Fire Service Fees	-	-	1,035	1,035
Special Assessment Receipts	<u>-</u>	<u>-</u>	<u>9,066</u>	<u>9,066</u>
Total Charges for Services	<u>1,650</u>	<u>1,325</u>	<u>11,376</u>	<u>10,051</u>
Miscellaneous Revenue:				
Interest	1,936	2,348	3,286	938
Town Celebration	5,000	5,000	1,685	(3,315)
Impact Fees	-	-	1,830	1,830
Other	<u>5,500</u>	<u>18,150</u>	<u>21,310</u>	<u>3,160</u>
Total Miscellaneous Revenue	<u>12,436</u>	<u>25,498</u>	<u>28,111</u>	<u>2,613</u>
Amounts Available for Appropriation	<u>274,724</u>	<u>286,311</u>	<u>296,385</u>	<u>10,074</u>

Continued

**ELSINORE TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Charges to Appropriations (Outflows):				
General Government:				
Administration	59,956	42,543	39,235	3,308
Building Maintenance	12,247	13,247	12,529	718
Equipment Maintenance	69,500	69,500	65,249	4,251
Total General Government	<u>141,703</u>	<u>125,290</u>	<u>117,013</u>	<u>8,277</u>
Public Safety:				
Fire Department	76,038	76,038	73,941	2,097
Law Enforcement	537	537	486	51
Total Public Safety	<u>76,575</u>	<u>76,575</u>	<u>74,427</u>	<u>2,148</u>
Highway and Public Improvements:				
Class C Roads	14,000	14,000	58	13,942
Streets and Weed Control	2,500	17,500	16,571	929
Street Lighting	7,000	7,500	7,408	92
SID Payments	26,000	25,000	25,000	-
Total Highways and Public Improvements	<u>49,500</u>	<u>64,000</u>	<u>49,037</u>	<u>14,963</u>
Culture and Recreation:				
Cemetery	10,500	17,000	16,833	167
Recreation	-	7,500	7,020	480
Parks	14,000	13,500	13,218	282
Total Culture and Recreation	<u>24,500</u>	<u>38,000</u>	<u>37,071</u>	<u>929</u>
Total Charges to Appropriations	<u>292,278</u>	<u>303,865</u>	<u>277,548</u>	<u>26,317</u>
Budgetary Fund Balance - June 30, 2005	<u>(17,554)</u>	<u>(17,554)</u>	<u>18,837</u>	<u>36,391</u>

**ELSINORE TOWN  
NOTE A  
BUDGETARY COMPARISON SCHEDULE  
BUDGET-TO-GAAP RECONCILIATION**

**For The Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>
<b>Sources/Inflows and Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	296,385
<b>Differences - Budget to GAAP:</b>	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>17,554</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>313,939</u></u>
<b>Uses/Outflows of Resources:</b>	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	277,548
<b>Differences - Budget to GAAP:</b>	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>277,548</u></u>

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## **COMPLIANCE SECTION**

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# Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council  
Elsinore Town  
Elsinore, Utah 84724

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Elsinore Town as and for the year ended June 30, 2005, which collectively comprise Elsinore Town's basic financial statements and have issued our report thereon dated July 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Elsinore Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elsinore Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain matter that we reported to the management of Elsinore Town in a separate letter dated July 29, 2005.

Honorable Mayor and Town Council  
Elsinore Town  
Page -2-

This report is intended solely for the information and use of the audit committee, management, and Town Board and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

July 29, 2005  
Richfield, Utah

# Kimball & Roberts

Certified Public Accountants  
A Professional Corporation

Box 663  
Richfield, Utah 84701  
Phone 896-6488

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council  
Elsinore Town  
Elsinore, Utah 84724

We have audited the financial statements of Elsinore Town, for the year ended June 30, 2005, and have issued our report thereon dated July 29, 2005. As part of our audit, we have audited Elsinore Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Elsinore Town's financial statements.)

CIB Grant (Department of Community and Economic Development)  
Fire Department Grant (State Lands and Forestry)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements

The management of Elsinore Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and Town Council  
Elsinore Town  
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Elsinore Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

July 29, 2005  
Richfield, Utah

**ELSINORE TOWN  
MANAGEMENT LETTER  
JUNE 30, 2005**

# Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

## FINDINGS AND RECOMMENDATIONS

Honorable Mayor and Town Council  
Elsinore Town  
Elsinore, Utah 84724

During our audit of the funds of Elsinore Town for the fiscal year ended June 30, 2005, we noted a certain area needing corrective action in order for the Town to be in compliance with state laws and regulations. This item is discussed below for your consideration.

### COMPLIANCE:

#### Fund Balances

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit created by expenditures being made is an illegally created debt in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over five years.

#### Finding:

During the audit we noted the general fund has a deficit fund balance of \$6,162.

#### Recommendation:

We recommend that Town properly advertise and hold a public hearing to open the budget and budget for this deficit to be made up during the fiscal year 2005-2006.

#### Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Elsinore Town's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,

  
KIMBALL & ROBERTS  
Certified Public Accountants

July 29, 2005  
Richfield, Utah

# ELSINORE TOWN CORPORATION

15 EAST 200 NORTH - BOX 408  
ELSINORE, UTAH 84724  
PHONE: (435) 527-3306 FAX: (435) 527-3306

November 3, 2005

Richard Moon  
Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
PO Box 142310  
Salt Lake City, Utah 84114-2310

Re: General Fund Corrective Plan

Dear Mr. Moon,


The contact persons are Valerie Hopper or Jeane Wood.

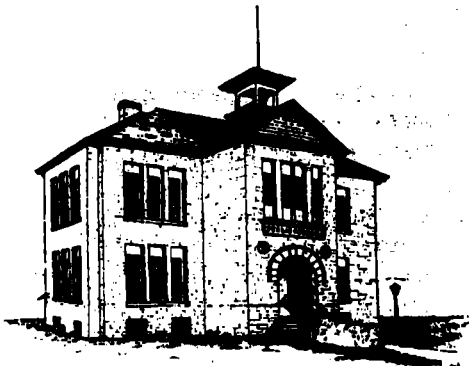
The Council has five options:

- 1) A permanent transfer of funds from the Water Enterprise Fund to the General Fund
- 2) Loan the money to the General Fund from the Water Enterprise Fund
- 3) A Combination of a permanent transfer of funds and a loan agreement for the balance
- 4) Cut expenses
- 5) Raise taxes.

The Council is seriously considering the fourth option of cutting expenses for the current fiscal year. This will be done no later than June 2006. The Council is reviewing the General Fund and the Water Department looking at being more conservative with their spending during the 2005-2006 Fiscal Year.

Sincerely,

  
Jeane Wood  
Elsinore Town Clerk



White Rock School  
Elsinore, Utah  
1898